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INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 6446
RUEHRL/AMEMBASSY BERLIN PRIORITY 0170
RUEHBY/AMEMBASSY CANBERRA PRIORITY 4469
RUEHLO/AMEMBASSY LONDON PRIORITY 0203
RUEHUL/AMEMBASSY SEOUL PRIORITY 8512
RUEHGP/AMEMBASSY SINGAPORE PRIORITY 6837
RUEHTC/AMEMBASSY THE HAGUE PRIORITY 0319
RUEHKO/AMEMBASSY TOKYO PRIORITY 8554
RUEHGZ/AMCONSUL GUANGZHOU PRIORITY 0050
RUEHHK/AMCONSUL HONG KONG PRIORITY 7698
RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 0423
RUEHGH/AMCONSUL SHANGHAI PRIORITY 0871
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
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S E C R E T SECTION 01 OF 03 TAIPEI 000550

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STATE FOR EAP/TC, ISN/CB AND ISN/MTR

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TAGS: [CN](#) [CW](#) [ETTC](#) [KNNP](#) [PARM](#) [TW](#)

SUBJECT: CWC-RESTRICTED CHEMICALS IN TAIWAN

REF: A. TAIPEI 78

[1](#)B. MIKULAK-NEELY EMAIL OF 12/20/2006

Classified By: AIT Director Stephen Young, 1.4 B/C

[1](#)1. (S) Summary: As reported ref A, China is now Taiwan's sole acknowledged source of Chemical Weapons Convention (CWC)-restricted schedule two (S2) chemical imports. This contributes to a significant gap in CWC controls and is contrary to U.S. interests because: 1) Taiwan's trade, production, and use of CWC-restricted chemicals remains entirely outside the CWC control regime; 2) China ignores CWC rules by shipping restricted chemicals to Taiwan without effective jurisdiction over the end users; 3) As the main supplier of chemicals critical for Taiwan's high tech industries, China potentially could cut off Taiwan's production and sales to the United States of certain strategic high tech items. AIT explored ways to better protect these U.S. interests with a Taiwan interagency group on March 7. AIT recommends that we work with Gameplan partners to set up a CWC-like inspection regime to bring Taiwan under international supervision. End summary.

Years of Stalemate on Monitoring Taiwan's Chemicals

[1](#)2. (S) While the Head of China's MFA CW/CB Office Chen Kai claims that China is open to pragmatic solutions to enable Taiwan's participation in the CWC, China's suggestions have been non-starters (i.e, Taiwan should first accept the "one China" principle, ref B), and China has blocked efforts to find a formula acceptable to both sides. China appears to benefit from the current situation and lacks incentive to change it.

How China Benefits From Taiwan's Exclusion from CWC

[1](#)3. (S) As reported ref A, Taiwan Customs statistics show that China has become the sole-source supplier of CWC S2 chemicals imports, which are used by Taiwan's high tech industries as cleaning and doping agents in semiconductors,

specialty glass, light-emitting diodes, and electronics production. Taiwan produces several S3 chemicals and at least one S2 chemical on the island. China claims that its chemical shipments to Taiwan are "internal transfers" rather than "exports" and therefore not a violation of CWC controls.

14. (S) According to Taiwan officials, China has also become Taiwan's largest supplier of S3 chemicals, providing about half of Taiwan's total imports of these chemicals. Taiwan officials explain that China's simplified approval process is one of the attractions of S3 suppliers in China: it is much easier to get an unofficial end-user certificate from one of Taiwan's several private industry associations (which is all that China requires) than to get an official end-user certificate from Taiwan's Ministry of Economic Affairs (MOEA) Bureau of Foreign Trade (BOFT) (which all other CWC member states must obtain in order to export S3 chemicals to Taiwan). This gives chemical companies in China a clear commercial advantage in the Taiwan market.

Red Question Marks Over Taiwan

15. (S) Although PRC officials permit shipments of CWC-restricted chemicals to Taiwan, China does not have effective jurisdiction over the end users of the chemicals, and has no way to conduct background checks, inspect, monitor, or sanction the Taiwan end users as required by the CWC. China also lacks the direct communications with Taiwan Customs and other enforcement agencies necessary to verify whether the chemicals actually enter Taiwan or are diverted

TAIPEI 00000550 002 OF 003

to other countries or to illicit users.

16. (S) The evidence for S2 chemical imports are Taiwan Customs documents showing a total of approximately US\$5 million worth of five different types of S2 chemicals imported from China from January 2004 through October 2006. However, PRC officials, who see only the unverified industry association-issued end user certificates, may not even be aware that S2 chemicals are being shipped to Taiwan.

17. (S) The total lack of outside inspection or monitoring of CWC-restricted chemicals in Taiwan exacerbates the unknowns surrounding Taiwan's possible chemical/biological (CB) weapons programs, possible plans to develop satellite space launch and long-range cruise missile capabilities, and its possible interest in acquiring retaliatory capabilities to deter attack from China. AIT does not/not see any indications of a chemical weapons program in Taiwan, but even the small value of S2 chemicals shown on Customs documents entering Taiwan could be significant in a weapons program.

More Dangerous Than Chemical Weapons

18. (S) From a broader point of view, the greatest danger in the current situation comes from Taiwan's high tech industries' dependence on China for critical inputs. China could potentially use this dependence to speed the migration of these high tech industries to China (which is already underway for various other reasons) or to disrupt the supply of high tech products to global markets. About two-thirds of the world's semiconductor foundry production is done in Taiwan. Taiwan supplies 40-50 percent of the global market for glass fibers, integrated circuit packaging, and liquid crystal displays, and is the world's second largest supplier of integrated circuit substrates and dynamic random access memory chips. These and other high tech electronics products require small quantities of CWC-restricted chemicals in their manufacture.

AIT Discussions on Protecting U.S. Interests

¶9. (S) On March 7, AIT met with an interagency group of Taiwan officials to exchange views and explore ideas on how to arrange outside inspection and monitoring of Taiwan's trade, production, and stores of CWC-restricted chemicals. The discussion covered how CWC-like inspections could be conducted that did not include China (Taiwan officials said that Taiwan could not accept inspections involving officials from China.)

¶10. (S) Taiwan officials reacted positively to the possibility of allowing inspections of both civilian and military production and stores by officials from the export control Gameplan participants (Australia, Germany, Japan, UK, and the United States) and to having the Gameplan participants replace China as the source of the CWC-restricted chemicals needed in Taiwan's high tech industries. Taiwan officials agreed to research further how a CWC-like regime of outside inspections could be established under the Gameplan for both civilian and military chemical facilities in Taiwan, but they cautioned that this idea would require clearance at the highest levels.

¶11. (S) The Taiwan officials acknowledged that there are stockpiles of S2 chemicals in Taiwan, but said that these stockpiles had mainly been imported prior to the year 2000, when CWC restricted such exports to Taiwan. They mentioned one Taiwan company that produced a "small quantity" of an S2 chemical for its own "internal" use (the company and chemical name were not mentioned), but claimed to have no information on military production and stores of CWC-restricted

TAIPEI 00000550 003 OF 003

chemicals.

¶12. (S) Taiwan participants in the discussions:
-- Ms. Liu Shu-lin, Technical Specialist, IDB, MOEA
-- Mr. Lai Kwo-shing, Deputy Director BOFT, MOEA
-- Ms. Susan Lu, Export Control Task Force, BOFT
-- Dr. William Jang, Director, ITRI
-- Mr. Ke Liang-ruey, Department of Treaty and Legal Affairs, MOFA

No Immediate Problem for Taiwan

¶13. (S) Between its stockpiles, domestic production, and imports, Taiwan does not seem to be facing any acute crisis regarding supplies of CWC-restricted chemicals. The current situation is not so much a problem for Taiwan as it is a significant gap in the global controls over CWC-restricted chemicals.

¶14. (S) Recommendations: AIT recommends that we press China, like all other CWC member states, to require official BOFT-issued end user certificates for its exports of CWC-restricted chemicals to the WTO-designated "Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu." The industry-issued certificates now accepted by China provide little guarantee of how or where the chemicals are being used, and the claim that these are "internal transfers" is inappropriate. We should consult with our export control Gameplan partners about establishing a CWC-like control and inspection regime for Taiwan under the Gameplan and replacing China as Taiwan's main source of CWC-restricted chemicals. To have an effective global regime to prevent proliferation of chemical weapons, Taiwan's chemicals must be subject to outside inspection and monitoring.
YOUNG